

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Office of Integrity and Oversight



MEMORANDUM

TO: Stephen M. Cordi, Deputy CFO
Office of Tax and Revenue

FROM: Robert G. Andary, Executive Director
Office of Integrity and Oversight

DATE: February 27, 2009

SUBJECT: Review of Employee's Activity in ITS based on Dummy Account Alert
(IA:OTR:2904:M02)

This review was conducted pursuant to the Office of Integrity and Oversight's (OIO) Management Alert of January 5, 2009 (IA:OTR: 2904-M01), on "OTR's Use of Dummy Accounts." As stated in that alert, an Office of Tax and Revenue (OTR) employee used dummy accounts in the Integrated Tax System (ITS) to transfer credits from dummy accounts to taxpayer accounts. Based on this misuse of dummy accounts, OIO indicated that we would further analyze actions taken by this employee to determine whether there were other instances where credits were moved improperly.

Background

The employee under review is a [REDACTED] within the Returns Processing Administration (RPA) Systems and Forms Division. In this role, he deals directly with taxpayers on correction of ACH payment issues, eTSC, e-File, and he also works with lockbox data. In this position, the employee had access to data files and the ability to make changes to taxpayer accounts. As a result of the findings noted in the January 5, 2009 memorandum, the employee's ITS user rights have been modified to "read only access."

Methodology

To determine the level of transfer activity of this employee, OIO used the data warehouse to run a report of the employee's transfer activity in the Integrated Tax System from the inception of his account to FY 2009. To obtain this data, Accenture contractor staff assisted us in writing a query that would specifically provide the transfer activity for the employee (Attachment 1). For the purpose of this review, a transfer is defined as the movement of a payment from one account period to another as well as the introduction of tax credits (i.e. withholding).

The query produced over 1400 lines of data associated with this employee's ID number. The 1400 lines of data represented roughly 727 transaction events. OIO determined a transaction event by manually grouping transactions based on dollar value, review of transaction numbers, and timestamp details since transfers to and from an account are usually numbered sequentially.

For example:

Id Entity	Transaction ID	Trans Type	Am Credit Offset	Date & Time of Transaction
522151663	9100012448117	220.	-635,863.07	2005-07-18-16.35.30.829710
522151663	9100012448119	219.	635,863.07	2005-07-18-16.35.31.125418
522151663	9100012448398	220.	-635,863.07	2005-07-18-17.32.23.403858
522151663	9100012448399	219.	635,863.07	2005-07-18-17.32.23.576453

Based on this grouping, we manually numbered the events to arrive at 727 transactions.

OIO sorted the transactions in descending order and noted the following:

Dollar Range	Number of Transactions	Percentage
>25,000	45	6.2
10,000 to 24,999	43	5.9
2,500 to 9,999	146	20.1
1000 to 2,499	150	20.6
<999	343	47.2
	727	

Overall, we reviewed 113 transaction events or 15% of the transaction events. Of the 113 events reviewed, 60 were greater than 16,500.

SUMMARY OF RESULTS:

Based on our review of the noted sample transactions, we identified the following:

1. Employee Improperly Corrected Taxpayer Accounts

We noted that the majority of actions taken were done to correctly state the taxpayer accounts. Usually there was a processing error that required an employee to correct the account. We categorized the 113 transactions as follows:

Table 2

Adjustment Reason	Transactions	Percentage
eTSC Payment Error	25	22.1%
eTSC Processing Error	10	8.8
Processing Error Correction	55	48.7
Processing Error Correction: Workaround	14	12.4
Keypunch error	6	5.3
Payment posting error	3	2.7
	113	

Of the 113 transaction events reviewed, we noted adjustment errors in 27 instances or 24% of the events reviewed totaling \$719,513. Of this amount, \$426,580 or 18 events were corrected by the employee under review or other OTR employees, and the remaining \$292,933 or 9 transaction events required correction by OTR, due to the employee's error in the correction, or his apparent deliberate manipulation of the system to resolve a taxpayer issue. OIO will provide the items for your correction. (See Attachment 2)

In summarizing reasons for the adjustments (Table 2 above), we segregated "processing error corrections" from "workarounds" to highlight this issue. It appears that the employee had developed "workarounds" in ITS to resolve system limitations or issues over his years of working with ITS, such as moving an older converted remit from a taxpayer's 2002 Unincorporated franchise period to the taxpayer's sales tax account to resolve an ACH posting issue.

Workarounds represent a shortcoming in ITS where the system is unable to process an item as it should. When this is done it may correct the problem, but it also distorts the taxpayer's filing history.

Dummy Accounts

In the 113 transactions reviewed, we noted no other use of the dummy accounts. We scanned identification numbers (EIN/SSN) in the entire file and did not see any other use of known dummy accounts by the employee. The two transactions previously brought to your attention are included in the error amounts reported.

Recommendation:

We recommend OTR correct the items that require correction within 10 days of receipt of this letter.

2. Lack of Managerial Oversight provide excessive privileges in ITS

Based on our review and analysis, it appears that the identified employee was given carte blanche access to the system, without any managerial oversight. He was allowed to work accounts as he deemed fit. This was due in part to lack of procedures and supervisory controls over the adjustment process.

As a result of this open access to ITS, this employee made decisions on the disposition of taxpayer accounts, built workarounds to get refunds out and resolve account balances, and executed those workarounds "to force" things to work in the ITS. These actions date back to April 2002. As stated above, using workarounds in any system distorts the taxpayer's filing history and does not resolve the actual problem.

Recommendation:

We strongly recommend that the RPA Acting Director develop stringent procedures for adjustments to taxpayer accounts ensuring that there are controls in place throughout the process. The procedures should include adequate and appropriate managerial oversight.

Until further management action is determined, we recommend the employee's ITS rights remain "read only."

3. No Segregation of Duties over Electronic Payment Correction/Transfers Process

Many of the events reviewed were related to the correction of electronic activity. The employee appeared to be a one man operation as it related to the correction and research of electronic payments. In many instances, other employees within OTR would call him to correct or research payments.

As a result, there was a lack of segregation of duties as it related to analyzing electronic payment data and correcting accounts in ITS. Additionally, it is difficult to determine if the corrections are proper as there is no paper trail readily available for review.

Recommendation:

We recommend the Returns Processing Administration Systems & Forms Division refrain from the actual correction of taxpayer accounts. If items come to their attention that requires correction, they should be forwarded to the Returns Processing Administration Error Corrections Unit for correction.

4. Employee Performed Excessive Abatements

During our review of credit and transfer activity, we noted a large number of abatements performed by this employee. OIO ran a report of abatement activity in the data warehouse and noted the employee abated over **\$1.6 million** in penalties and interest.

We judgmentally selected 20 abatements greater than \$15,000, and noted that in most instances it was the employee using his *personal judgment* to determine whether the taxpayer should receive an abatement; he also included notes as justification for the abatement, such as:

- ***“IN VIEW OF HONEST ERROR, AND OTHERWISE UNBLEMISHED RECORD, I ABATED P&I FOR APRIL S&U.” and***
- ***“CLIENT BOUGHT SPORTS CLUB AND WAS NOT TOLD OF PPT RESPONSIBILITY (IT'S UNUSUAL TO COLLECT TAX A YEAR IN ADVANCE) BY SELLER. SO I DISTRIBUTED TAX REQUIRMENTS BETWEEN THE BUYER AND SELLER, AND BUYER PAID PPT TAX. THEREFORE, I ABATED, GIVEN HONEST GOOD-FAITH EFFORT.”***

In one instance cited as an error in Finding 1, a taxpayer's audit assessment was reduced by \$59,000. Notes on the taxpayer's account by a different employee stated the taxpayer's request for waiver of penalty was denied; however, the employee under our review abated the penalty and transferred the credit in the sales account to the personal property account ultimately eliminating the liability in two personal property account periods.

The OTR has a procedure in place that requires a taxpayer to file a specific request for a waiver with the OTR's Compliance Operations Division. This procedure was circumvented by the employee. Additionally, there did not appear to be managerial oversight of the abatement activity performed by the employee.

Recommendation:

In our judgment, the unauthorized actions of this employee to abate a taxpayer's account, resulting in the reduction of a liability, is an extremely serious matter requiring management's immediate attention.

As such, we strongly recommend OTR examine the whole abatement process and review all abatement activities of this employee, and reinstate the penalty and interest, where applicable. In addition, we recommend OTR regularly run an abatement report to identify questionable activity across the agency. (Attachment 3)

OTHER MATTERS

During this data analysis, other items came to our attention, which we will provide to you for further action.

Access to the Audit Trail

It was difficult to obtain an accurate complete report of employee detailed transaction activities. It took OIO over a month to obtain the correct information. We attempted to obtain assistance from an OTR staff member but our results were not complete. We finally obtained the report through the assistance of the Accenture project manager, who built the query.

This situation is of great concern since the Accenture staff will leave in a few months. In speaking to OTR staff, many do not understand how to properly use the data warehouse, and as a result, they do not think they can obtain the information they require. Based on our experience in using the Data Warehouse, it is imperative that there is an understanding of the relationship between the data and tables to generate accurate and reliable queries. Currently, Accenture is developing a class on using SAND-Data Warehouse.

Recommendation:

We strongly recommend that OTR data warehouse training include a relational database segment. Additionally, it may be prudent to have a working session where administration representatives bring two report ideas for their administration. These reports could be built as part of the workshop. This will not only give the employee an opportunity to understand the request and what data fields should be included, and links to obtain the desired information, but they will also walk away with a query that can be saved and refreshed as necessary.

Please provide our office with a response on actions taken no later than March 6, 2009. If you have any questions regarding the work performed, please contact Tisha Edwards at 478-9143.

Thank you for your cooperation.

cc: Lucille Dickinson, Chief of Staff, OCFO
Glen Groff, Director of Operations, OTR
Dave Quinn, Acting Director, Returns Processing, OTR
Mohamad K. Yusuff, Director, Internal Audit, OIO
Tisha Edwards, Manager, OIO
Nelson Alli, Senior Audit Manager, OIO

Attachment 1

Offset Activity Query Language

C:\Documents and Settings\Tishat\Desktop\Credit forward audit for its494.bqy - Windows Internet Explorer

C:\Documents and Settings\Tishat\Desktop\Credit forward audit for its494.bqy

File Edit View Favorites Tools Help

msn

C:\Documents and Settings\Tishat\Desktop\Credit forward audit for its494.bqy

File Edit View Insert Format Query DataModel Tools Help

Query

Sections

Limit: Id Employee Update AND In Id Primary AND Cd Status

Request: Cd Type Id Id Entity Id Employee Update Id Trans Am Tot Coll Effect Am Credit Offset Cd Type Trans

SELECT T11Id.CD_TYPE_ID, T11Id.ID_ENTITY, T15Coffse.ID_EMPLOYEE_UPDATE, T12Fdetai.ID_TRANS, T12Fdetai.AM_TOT_COLL_EFFECT, T15Coffse.AM_CREDIT_OFFSET, T12Fdetai.CD_TYPE_TRANS

FROM From.T12Fdetai, From.T15Coffse, From.T11Id WHERE (T15Coffse.Id_Internal=T12Fdetai.Id_Internal AND T11Id.Id_Internal=T12Fdetai.Id_Internal AND T12Fdetai.Id_Trans=T15Coffse.Id_Trans) AND (T15Coffse.Id_Employee_Update='ITS328' AND T11Id.In_Id_Primary='Y' AND T11Id.Cd_Status=1)

Tables

- ACCT_NAMES
- AMG_AR
- AMG_CR_BAL
- CALENDAR
- CALENDAR_DAY
- CASE_TRANS
- CURR_ADDRESSES
- FORM_D20_2001
- FORM_D20_2002
- FORM_D20_2003
- FORM_D20_2004
- FORM_D20_2005

T11Id

- Id Internal
- Cd Type Id
- Id Entity
- Id Occurrence
- In Id Primary
- Cd Status
- In Ver Irs
- Id Trans
- Cd Source Updat
- Cd Reason Initat

T12Fdetai

- Id Fin Detai
- Id Trans
- Id Internal
- Cd Type Acct
- Id Acct
- Dt Pd Acct Begin
- Dt Pd Acct End
- Qt Assessment
- Cd Type Assessrr
- Cd Type Trans

T15Coffse

- Id Trans
- Id Trans Source
- Id Internal
- Cd Type Acct
- Id Acct
- Dt Pd Acct Begin
- Dt Pd Acct End
- Qt Assessment
- Am Credit Offset
- Cd Source Initat

1218 Rows

Combined View: 3 topics

My Computer

100%

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OFFICE OF INTEGRITY AND OVERSIGHT											Attachment 2
Review of Employee ITS Transfer Activity											
Require Error Correction											
IA: OTR-2904:IM2											
Item	Id Entity	Id Employ	Id Trans	Am Tot Co	Cd Type	Trans	Am Credit	Offset	Id Fin Detail	Error	Adjustment Reason
5.	522314093	ITS328	9100029003314	-25,737.13		220.	-25,737.13	25,737.13	2007-12-19-16:41:12.975965	25737.13	eTSC Payment Error: Workaround
5.	522314093	ITS328	9100029003315	25,737.13		219.	25,737.13	25,737.13	2007-12-19-16:41:13.649333	25737.13	eTSC Payment Error: Workaround
5. Total										25737.13	
6.	980115765	ITS328	9100007995061	-25,316.45		220.	-25,316.45	25,316.45	2004-05-03-16:46:47.431466	25316.00	Processing error correction (error not fixed)
6.	980115765	ITS328	9100007995062	25,316.45		219.	25,316.45	25,316.45	2004-05-03-17:04:35.000120		Processing error correction (error not fixed)
6.	980115765	ITS328	9100007995062	25,316.45		219.	25,316.45	25,316.45	2004-05-03-16:46:47.601245		Processing error correction (error not fixed)
6. Total										25316.00	Processing error correction (error not fixed)
7.	522314093	ITS328	9100029039578	-20,893.75		220.	-20,893.75	20,893.75	2008-01-04-11:30:54.650153	20893.75	eTSC Payment Error: Workaround

OFFICE OF INTEGRITY AND OVERSIGHT											Attachment 2
Review of Employee ITS Transfer Activity											
Require Error Correction											
IA: OTR:2904:M02											
Item	Id Entity	Id Employ	Id Trans	Am Tot Co	Cd Type	Trans	Am Credit	Offset	Id Fin Detail	Error	Adjustment Reason
7. Total											
7.	522314093	ITS328	9100029039579	20,893.75		219.	20,893.75	20,893.75	2008-01-04-11.30.54.977070	20893.75	eTSC Payment Error: Workaround
8.	133837881	ITS328	9100032798181	17,740.		219.	17,740.	17,740.	2008-07-18-17.05.41.766406	17740.00	Processing Error Correction: Workaround
8.	999110000	ITS328	9100032798180	-17,740.		220.	-17,740.	17,740.	2008-07-18-17.05.41.485210	17740.00	Processing Error Correction: Workaround
8. Total											
9.	530115260	ITS328	9100010256232	-13,620.		216.	-13,620.	13,620.	2005-02-14-21.25.40.365914	13620.00	Processing error correction (error not corrected)
9. Total											
9.	530115260	ITS328	9100010256414	13,620.		215.	13,620.	13,620.	2005-02-14-21.25.40.503906	13620.00	Processing error correction (error not corrected)
10.	522314093	ITS328	9100029039633	-9,793.23		220.	-9,793.23	9,793.23	2008-01-04-11.46.33.036189	9793.23	Processing Error Correction: workaround
10. Total											
10.	522314093	ITS328	9100029039634	9,793.23		219.	9,793.23	9,793.23	2008-01-04-11.46.33.143482	9793.23	Processing Error Correction: workaround
11.	521171965	ITS328	9100031381285	-8,706.74		220.	-8,706.74	8,706.74	2008-03-20-16.48.38.075341	8706.74	eTSC Processing Error: Workaround
11.	521171965	ITS328	9100031381286	8,706.74		219.	8,706.74	8,706.74	2008-03-20-16.48.38.239695		eTSC Processing Error: Workaround

[illegible]

[illegible]

Abatement Query Language

M:\Its328abate.bqy - Windows Internet Explorer

M:\Its328abate.bqy

File Edit View Favorites Tools Help

msn

M:\Its328abate.bqy

File Edit View Insert Format Query DataModel Tools Help

Query

Request(7) Limits(4) Sort(0)

Sections

Query

Results

Limit → Id Employee Update AND Cd Type Trans AND In Id Primary AND Cd Status

Request Id Entity Id Trans Cd Type Acct Dt Pd Acct Begin Dt Pd Acct End Dt Process Am Tot Liab Effect

SELECT DISTINCT T11Id_ID_ENTITY, T12Fdetail_ID_TRANS, T12Fdetail_CD_TYPE_ACCT, T12Fdetail_DT_PD_ACCT_BEGIN, T12Fdetail_DT_PD_ACCT_END, T12Fdetail_DT_PROCESS, T12Fdetail_AM_TOT_LIAB_EFFECT

FROM From T12Abatem, From T12Fdetail, From T11Id WHERE (T12Fdetail.Id_Trans=T12Abatem.Id_Trans AND T12Fdetail.Id_Internal=T11Id.Id_Internal) AND (T12Abatem.Id_Employee_Update='ITS328' AND T12Fdetail.Cd_Type_Trans=604 AND T11Id.Id_Id_Primary='Y' AND T11Id.Cd_Status=1)

Tables

T12Fdetail

- Id Fin Detail
- Id Trans
- Id Internal
- Cd Type Acct
- Id Acct
- Dt Pd Acct Begin
- Dt Pd Acct End
- Qt Assessment
- Cd Type Assessm
- Cd Type Trans

T12Abatem

- Id Trans
- Cd Source Update
- Cd Reason Update
- Id Employee Update
- Dt Update
- Tm Update
- Id Org
- Am Abt Auto Pen 1
- In Abt Auto Pen 1
- Am Abt Auto Pen 2

T11Id

- Id Internal
- Cd Type Id
- Id Entity
- Id Occurrence
- In Id Primary
- Cd Status
- In Ver Irs
- Id Trans
- Cd Source Update
- Cd Reason Update

Ready

1248 Rows

Combined View: 3 topics

Local Intranet

100%

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Chief Financial Officer

Office of Tax and Revenue



Stephen M. Cordi
Deputy Chief Financial Officer

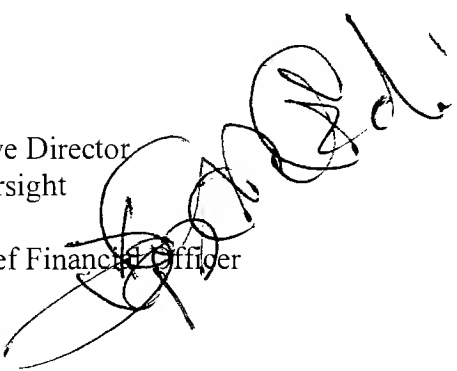
MEMORANDUM

TO: Robert G. Andary, Executive Director
Office of Integrity and Oversight

FROM: Stephen Cordi, Deputy Chief Financial Officer
Office of Tax and Revenue

DATE: March 19, 2009

SUBJECT: Review of Employee's Activity in ITS based on Dummy Account Alert
(IA:OTR:2904:M02)



The Office of Tax and Revenue has reviewed your memorandum dated February 27, 2009, Review of Employee's Activity in ITS based on Dummy Account Alert (IA:OTR:2904:M02). We are pleased to respond to your recommendations, as follows:

Recommendation #1: We recommend OTR correct the items that require correction with 10 days of receipt of this letter.

Response: We concur with the recommendation and corrective action will begin within 10 business days from the issuance of this response to the accounts identified as requiring additional action.

Recommendation #2: We strongly recommend that the RPA Acting Director develops stringent procedures for adjustments to taxpayer accounts ensuring that there are controls in place throughout the process. The procedures should include adequate and appropriate managerial oversight.

Until further management action is determined, we recommend the employee's ITS rights remain "read only".

Response: OTR concurs with the recommendation and within 10 business days of issuance of this response, OTR will issue a directive stating that RPA will no longer make adjustments to taxpayer accounts after the account (return/payment) has posted/settled. Any adjustment to a taxpayer's account can only be made by a representative from Customer Service or Compliance Administration. The employee referenced in this report will continue to have read only access.

Recommendation #3: We recommend the Returns Processing Administration Systems and Forms refrain from the actual correction of taxpayer accounts. If items come to their attention that requires correction, they should be forwarded to the Returns Processing Administration Error Corrections Unit for correction.

Response: OTR agrees with the recommendation that Returns Processing Administration Systems & Forms Division staff refrain from actual corrections to taxpayer accounts. Once the directive cited above is issued, ITS rights for Systems and Forms Division will be modified to read only and except for returns/payments/documents that have not posted or settled, adjustments/corrections to accounts will be restricted to Customer Service or Compliance Administration employees.

Recommendation #4: We strongly recommend OTR examine the whole abatement process and review all abatement activities of this employee, and reinstate the penalty and interest, where applicable. In addition we recommend OTR regularly run an abatement report to identify questionable activity across the agency.

Response: OTR concurs and will conduct a review of all abatement activities of the employee in question. OTR will request a copy of the report of abatement activity used by OIO as a basis of their findings and recommendation. A SIR will be submitted by March 30, 2009, requesting a monthly report of abatement activity that can be used for sampling and review purposes.

Recommendation #5: We strongly recommend that OTR data warehouse training include a relational database segment. Additionally, it may be prudent to have a working session where administration representatives bring to report ideas for their administration. These reports could be built as part of the workshop.

Response: OTR and ISA agree with these findings and recommendations. As part of the Transition effort to transfer knowledge required for support of ITS to the new contractor RSI, Accenture is developing, and will provide, several SAND training sessions to RSI, ISA employees and OTR employees. A primary focus of these training sessions will be to explain the ITS data model. Data model knowledge is the key to building successful report queries.

In addition, the one Accenture employee most knowledgeable of SAND has recently joined the RSI team and will continue to support ITS. Another RSI contractor has worked in support of ITS previously and also possesses knowledge related to SAND. Therefore, OTR and ISA are confident sufficient knowledge of SAND will be maintained.

Please feel free to contact me if you need any additional explanation.

cc: Lucille Dickinson, Chief of Staff, OCFO
Glen Groff, Director of Operations, OTR
Dave Quinn, Acting Director, Returns Processing, OTR
Mohammad K. Yusuff, Director, Internal Audit, OIO
Tisha Edwards, Manager, OIO
Nelson Alli, Senior Audit Manager, OIO